

The Dynamics of Return Migration, Human Capital Accumulation, and Wage Assimilation

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Abstract

To assess the implications of the interplay between anticipated migration durations and immigrants' behavior, we develop a lifecycle model in which immigrants decide labor market participation, consumption, and investment in human capital together with the optimal length of migration. We estimate this model using panel data that provide repeated information on immigrants' return intentions and realized return migrations. We show that the relation between return intentions and human capital investment leads to behavior-based selective outmigration, and that policies that influence migrants' return decisions may lead to suboptimal career profiles, inducing welfare losses for both immigrants and the host country's population.